

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

LOUISVILLE GAS AND ELECTRIC COMPANY

ALLEGED FAILURE TO COMPLY WITH
ADMINISTRATIVE REGULATIONS.

CASE NO.
2002-0042

SETTLEMENT STIPULATIONS

THIS AGREEMENT is made and entered into this 21st day of August, 2003, by and between the Staff of the Public Service Commission of Kentucky ("Commission Staff") and Louisville Gas and Electric Company ("LG&E").

WITNESSETH:

WHEREAS, LG&E is a Kentucky corporation, organized pursuant to KRS Chapter 279, engaged in the distribution of electricity to the public for compensation for lights, heat, power, and other uses, and is a utility subject to Commission jurisdiction pursuant to KRS 278.010; and

WHEREAS, on September 18, 2002, Walt Walker, an LG&E contract worker, was servicing an underground lateral cable when he received an electric shock and was fatally injured; and

WHEREAS, Commission Staff investigated the incident, and, on November 15, 2002, issued its Utility Accident Investigation Report; and

2. LG&E shall honor the commitments regarding field safety audits, training, and communication outlined in its response to Commission Staff's information requests dated August 4, 2003 (attached hereto).

3. Nothing contained herein shall be construed as an admission of a willful violation of any statute, administrative regulation, or any provision of the NFSC, nor shall the Public Service Commission's acceptance of this agreement be construed as a finding of a willful violation of any statute, administrative regulation, or any provision of the NFSC.

4. This Settlement Agreement is subject to the acceptance of and approval by the Public Service Commission.

5. Commission Staff shall recommend to the Public Service Commission that this Settlement Agreement be accepted and approved.

6. If the Public Service Commission fails to accept and approve this Settlement Agreement in its entirety, this proceeding shall go forward and neither the terms of this Settlement Agreement nor any matters raised during settlement negotiations shall be binding on either signatory or be construed against either LG&E or Commission Staff.

7. If the Public Service Commission accepts and adopts this Settlement Agreement in its entirety and enters an Order in this proceeding to that effect, LG&E shall not apply for rehearing in this proceeding, nor bring an action for review of the Order in Franklin Circuit Court.

WHEREAS, in its Utility Accident Investigation Report, Commission Staff found that LG&E had violated certain provisions of the National Electrical Safety Code (1990 Edition) ("NESC"); and

WHEREAS, in its Utility Accident Investigation Report, Commission Staff found that LG&E had also violated certain Commission regulations; and

WHEREAS, on February 10, 2003, the Public Service Commission entered an Order establishing this case and directing LG&E to show cause why it should not be subject to the penalties under KRS 278.990(1) relating to this incident; and

WHEREAS, on March 4, 2003, LG&E, by counsel, filed its response to the Commission's Order of February 10, 2003; and

WHEREAS, LG&E and Commission Staff desire to settle the issues raised by this proceeding and have entered into this Settlement Agreement through compromise to settle the proceeding.

NOW, THEREFORE, LG&E and Commission Staff agree that:

1. Within 10 days after the entry of an Order approving this Settlement Agreement, LG&E shall pay to the Commonwealth of Kentucky the sum of \$10,000. This payment shall be in the form of a cashier's check payable to "Treasurer, Commonwealth of Kentucky" and shall be mailed or delivered to the Office of General Counsel, Public Service Commission of Kentucky, 211 Sower Boulevard, Frankfort, Kentucky 40602.

IN WITNESS WHEREOF, LG&E and Commission Staff have executed this Settlement Agreement the day and year first above written by and through their duly authorized attorneys.

LOUISVILLE GAS AND ELECTRIC COMPANY

BY: Linda A. Prosser

TITLE: Attorney

COMMISSION STAFF
PUBLIC SERVICE COMMISSION OF KENTUCKY

BY: Angela H. Curry
Staff Attorney

Kentucky Public Service Commission Case. No. 2002-00427
Response To Staff Informal Requests
August 4, 2003

Field Safety Audits

Request:

The Company should reassess the qualifications and objectivity of personnel performing internal safety audits; at least some portion of LG&E's safety audits should be performed by independent "capable personnel" and not by the affected crew members' immediate supervisors; the Company should maintain a separate audit file at the PSC for staff inspection/review on a regular basis.

Response:

Although the Company believes that immediate supervisors and the safety management team (headed by Ken Sheridan) work together to ensure a thorough and accurate audit process, LG&E agrees to provide team and group leaders a training session on or before September 30, 2003, targeted at audit performance, i.e., how to perform objective, meaningful safety audits (including what to look for and how to document findings). In addition, LG&E agrees to refocus its safety management team energies to allow safety team members conduct more random audits during the year. LG&E agrees to maintain a file at the PSC containing the random field audits conducted during the prior year.

Training

Request:

The Company should provide, for a minimum of one year, copies of minutes and attendance records for (i) the Quarterly Joint Health and Safety Committee meetings with contractors, as described on page 23 of the Company's 2003-2005 *No Compromise Plan*; and (ii) the Contractor Safety Council sessions, as described in LG&E's June 17, 2003 response to the PSC staff's informal data request in this proceeding.

Response:

LG&E will provide the requested information.

Request:

LG&E should offer an underground distribution line training "school" for appropriate employees and contractors consistent with the "Safety Training" section of LG&E's 2003-2005 *No Compromise Plan*, and provide the PSC staff a record of those attending this school.

Response:

LG&E agrees to offer to appropriate employees a training school on underground distribution. URD training will start on or before September 30, 2003. LG&E agrees to require appropriate contractors to conduct URD training on or before September 30, 2003.

CommunicationRequest:

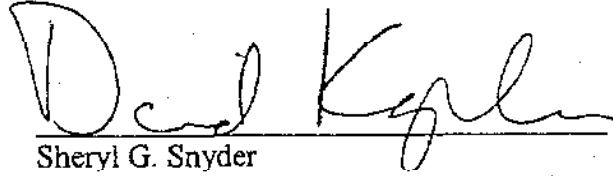
The Company should respond to the following questions:

1. How does the Company communicate at a "high level" to the contractor crews?
2. How does the Company communicate to different contractor crews their specific lines of responsibility?
3. At what point are LG&E supervisors involved in contractor field relations; how often are crews visited in the field?

Response:

1. LG&E achieves high-level communication with its contractors, as described on page 24 of LG&E's 2003-2005 *No Compromise Plan*, through ongoing interaction at quarterly contractor meetings and meetings of the contractor safety council (discussed in LG&E's June 17, 2003 response to the PSC staff's informal data request in this proceeding).
2. Prior to the commencement of any work, a job briefing is conducted with the affected contractor's crew (headed up by an LG&E supervisor), and job responsibilities are identified and assigned. Where two contractor crews are working at the same site (performing different jobs), each crew receives a separate job briefing and has a single foreman in charge. The members of each crew are expected to comply with the directives identified in their crew's job briefing as well as their own company's safety rules. LG&E has completed training covering 1910.269 (lockout/tagout emphasis), which training was developed jointly with IBEW 2100, IUS and LG&E's safety and technical team. Job briefings and "person in charge" concepts were emphasized in this training.
3. In addition to LG&E's random safety audit program, LG&E supervisors are involved in contractor field relations by assigning work, checking on quality of work and regular job briefings.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "David Kaplan", written over a horizontal line.

Sheryl G. Snyder

David S. Kaplan

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Attorneys for Plaintiff,

Kentucky Utilities Company

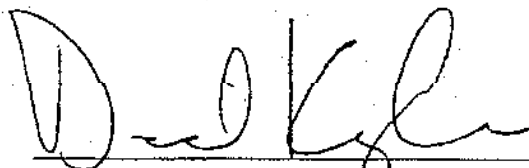
CERTIFICATE OF SERVICE

It is hereby certified that the foregoing Designation of Record was served this 21st day of July, 2003, by mailing a copy of same by first-class mail, postage pre-paid, upon the following:

Thomas Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602-0615
Kentucky Public Service Commission

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*One of Counsel for Plaintiff,
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